



Understanding Plan Fees

Finding "Hidden" Plan Fees

Here are some commonly "under" disclosed plan fees:

1. Sub-Transfer Agent Fees – Paid by fund companies to financial institutions and recordkeepers who track the underlying participant accounts.
2. 12(b)-1s — paid by fund companies to brokers and other providers for selling to and servicing a plan account.
3. Variable Annuity Wrap Fees — Charged by insurance providers for investment management, surrender charges, mortality and expense risk, and administrative fees.
4. Trading Costs — Fees associated with trading securities typically within a mutual fund, (usually in addition to fees disclosed as the fund's expense ratio). These fees are commissions, market maker spread, and market impact costs.

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Get the Big Picture: Total Cost of Operation

Periodic reviews of your retirement plan design and the associated fees are an essential element to any successful benefit program, especially given the recent scrutiny of excessive plan fees.

When reviewing fees many plan sponsors analyze only one area of the plan at a time. However, service providers often "share" the revenue generated from plan assets making a piece meal approach to understanding plan fees impractical (see



sidebar "Finding Hidden Plan Fees"). In order to fully understand plan fees one must look at the "Total Cost of Operation." This approach fleshes out true plan costs and allows informed decision making about plan

service providers.

The below chart lists the 5 major service types as well as the typical basis upon which fees are charged.

Keep in mind that the plan sponsor, as a fiduciary, must act solely in the interest of plan participants and beneficiaries when selecting service providers. This does not mean choosing the cheapest provider. Instead it means plan fees must be reasonable based on the type and quality of services received.

Admin / Management	Consulting	Education	Investment	Legal
<p><u>Services</u></p> <ul style="list-style-type: none"> • Compliance • Recordkeeping • Participant Statements / Website • Audit (IQPA) <p><u>Fee Basis</u></p> <ul style="list-style-type: none"> • Unit charges (by plan, part., or instance) • % of Assets for Recordkeeping • Time Based Charges for Compliance / Audit 	<p><u>Services</u></p> <ul style="list-style-type: none"> • Plan Design • Investment Analysis • Provider Selection • Distribution Planning <p><u>Fee Basis</u></p> <ul style="list-style-type: none"> • Time Based Charges • Flat Negotiated Amount (less common) 	<p><u>Services</u></p> <ul style="list-style-type: none"> • Employee Communication Materials • Education Meetings • Individual Education <p><u>Fee Basis</u></p> <ul style="list-style-type: none"> • Time Based Charges • Unit Charges • Flat Rate 	<p><u>Services</u></p> <ul style="list-style-type: none"> • Asset Management • Investment Advice • Trustee / Custodial <p><u>Fee Basis</u></p> <ul style="list-style-type: none"> • % of Assets for Management, Advice, and Custodial • Flat Fee for Trustee Services 	<p><u>Services</u></p> <ul style="list-style-type: none"> • Plan Document Preparation and/or Review • Representation before IRS or DOL • Litigation / Negotiations <p><u>Fee Basis</u></p> <ul style="list-style-type: none"> • Time Based Charges • Flat Negotiated Amount (less common)